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S E C R E T.

COPY NO.

C A B I N E T 39 (39).

Meeting of the Cabinet to be held at No. 10 Downing Street, S.W.1., on WEDNESDAY, 26th JULY, 1939, at 10.30 a.m.

AGENDA.

1. FOREIGN AFFAIRS.

2. DEFENCE OF INDIA: REPORT OF THE EXPERT COMMITTEE: DATE PUBLIC ANNOUNCEMENT IN REGARD TO.

(Reference Cabinet 34 (39) Conclusion 3)

Statement by the Secretary of State for India.

3. CO-ORDINATION OF DEFENCE PROGRAMMES.

(Reference Cabinet 36 (39) Conclusion 2)

Memorandum by the Prime Minister.

C.P. 166 (39) - circulated herewith.

4. DEFENCE BILL AND REGULATIONS.

(Reference Cabinet 36 (39) Conclusion 1)

Report by Cabinet Committee.

C.P. 160 (39) - circulated herewith.

5. RESERVES OF FOOD AND RAW MATERIALS.

(Reference Cabinet 37 (39) Conclusion 12)

Memorandum by the Minister for Co-ordination of Defence.

C.P. 165 (39) - circulated herewith.

6. REPORT OF THE DEPRESSED AREAS COMMITTEE.

(Reference Cabinet 60 (38) Conclusion 15)

Note by the Prime Minister.

C.P. 161 (39) - circulated herewith.

7. CLAIM TO SPINSTERS' PENSIONS.

Memorandum by the Chancellor of the Exchequer.  
C.P. 164 (39) - circulated herewith.

8. ROAD ACCIDENTS: REGULATION OF CYCLISTS.

Memorandum by the Minister of Transport.  
C.P. 158 (39) - circulated herewith.

9. CONCLUSIONS OF HOME AFFAIRS COMMITTEE.

18th Conclusions (39) of Committee of Home Affairs -  
to be circulated.

(a) Food (Defence) Bill.

(Reference Cabinet 37 (39) Conclusion 12)

Memorandum by the Chancellor of the Duchy  
of Lancaster, covering draft Bill.  
H.A. 34 (39) - circulated herewith.

(b) War Damage to Land (Scotland) Bill.

(Reference Cabinet 29 (39) Conclusion 8)

Memorandum by the Secretary of State for  
Scotland, covering draft Bill.  
H.A. 35 (39) - circulated herewith.

(Signed) E.E. BRIDGES

Secretary to the Cabinet.

Richmond Terrace, S.W.1.

21st July, 1939.

~~SECRET.~~

COPY NO. \_\_\_\_\_

C A B I N E T. 39. (39).

CONCLUSIONS of a Meeting of the Cabinet held  
 at 10 Downing Street, S.W.1., on WEDNESDAY,  
 26th JULY, 1939, at 10.30 a.m.

P R E S E N T.

The Rt. Hon. Neville Chamberlain, M.P.,  
 Prime Minister. (In the Chair).

The Right Hon.

Sir John Simon, G.C.S.I.,  
 G.C.V.O., O.B.E., K.C., M.P.,  
 Chancellor of the Exchequer.

The Right Hon.

Viscount Runciman,  
 Lord President of the Council.

The Right Hon.

Lord Maugham,  
 Lord Chancellor.

The Right Hon.

Sir Samuel Hoare, Bt., G.C.S.I.,  
 G.B.E., C.M.G., M.P., Secretary  
 of State for Home Affairs.

The Right Hon.

Viscount Halifax, K.G., G.C.S.I.,  
 G.C.I.E., Secretary of State  
 for Foreign Affairs.

The Right Hon.

Sir John Anderson, G.C.B.,  
 G.C.S.I., G.C.I.E., M.P.,  
 Lord Privy Seal.

The Right Hon.

Sir Thomas Inskip, C.B.E., K.C.,  
 M.P., Secretary of State for  
 Dominion Affairs.

The Most Hon.

The Marquess of Zetland, G.C.S.I.,  
 G.C.I.E., Secretary of State  
 for India and Burma.

The Right Hon.

Malcolm MacDonald, M.P.,  
 Secretary of State for the  
 Colonies.

Admiral of the Fleet the Right Hon.

Lord Chatfield, G.C.B., O.M.,  
 K.C.M.G., C.V.O., Minister for  
 Co-ordination of Defence.

The Right Hon.

W.S. Morrison, M.C., K.C., M.P.,  
 Chancellor of the Duchy of  
 Lancaster.

The Right Hon.

The Earl Stanhope, K.G., D.S.O.,  
 M.C., First Lord of the  
 Admiralty.

The Right Hon.

L. Hore-Belisha, M.P.,  
 Secretary of State for War.

The Right Hon.

Sir Kingsley Wood, M.P.,  
 Secretary of State for Air.

The Right Hon.

John Colville, M.P., Secretary  
 of State for Scotland.

The Right Hon.

Oliver Stanley, M.C., M.P.,  
 President of the Board of Trade.

The Right Hon.

The Earl De La Warr, President  
 of the Board of Education.

The Right Hon.

Walter Elliot, M.C., M.P.,  
 Minister of Health.

The Right Hon.

Ernest Brown, M.C., M.P.,  
 Minister of Labour.

The Right Hon.

E.L. Burgin, M.P.,  
 Minister of Supply.

The Right Hon.

Sir Reginald Dorman-Smith, M.P.,  
 Minister of Agriculture and  
 Fisheries.

Captain the Right Hon.

D. Euan Wallace, M.C., M.P.,  
 Minister of Transport.

Sir Edward E. Bridges, K.C.B., M.C. .... Secretary.

C A B I N E T 39 (39).

CONCLUSIONS of a Meeting of the Cabinet held  
on WEDNESDAY, 26th JULY, 1939, at 10.30 a.m.

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ARRANGEMENTS  
FOR THE  
RECESS.

(Previous Reference: Cabinet 35 (37) Conclusion 2) 1. THE PRIME MINISTER said that the Meeting of the Cabinet on Wednesday, the 2nd August would be the last Meeting of the Cabinet to be held before the Recess unless some question arose which required a Special Meeting.

FR.40(37)13. It was very difficult to give any definite guidance as to the date when normal weekly Meetings of the Cabinet would be resumed after the Recess. On the assumption, however, that matters continued on a normal footing, he thought that it would be necessary that the House of Commons should meet early in October, either in the first or second week. This would necessitate normal weekly Meetings of the Cabinet being resumed at some date in September. He would notify the Cabinet of the precise date as soon as this was practicable.

The Prime Minister said that if any untoward event took place in the Recess, the Cabinet would, of course, be summoned. In any event he thought that it might be desirable that at some time during the Recess he should ask those of his colleagues who were within reach of London to attend a Conference of Ministers. He would not, however, propose to hold a Meeting of the full Cabinet in the Recess unless some event of first importance arose.

In discussion, the suggestion that a Conference of Ministers should be held during the Recess was welcomed. This course would also, it was thought have a good effect on public confidence. The view was also expressed that the demand that Parliament should meet from time to time during August and September had very little support.

THE SECRETARY OF STATE FOR AIR undertook to consider a suggestion that aircraft should be made

available to bring Cabinet Ministers to London from the North of England or Scotland if a Meeting should be summoned at short notice.

The Cabinet took note of the Prime Minister's statement.

THE INTER-  
NATIONAL  
SITUATION.

Danzig.

(Previous  
Reference:  
Cabinet 38  
(39), Con-  
clusion 3.)

FR. 40 (39) 2.

2. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS reported certain information of a secret character which had reached him in regard to the German attitude as to Danzig. This information confirmed the Secretary of State in the view he had previously expressed, that the right course was to show a firm front and to work for a detente.

\* (Further details of the information given are recorded in the Secretary's Standard File of Cabinet Conclusions.)

THE SECRETARY OF STATE FOR DOMINION AFFAIRS referred to a suggestion which had been made by some of the Dominion High Commissioners in London that an endeavour should be made, using Signor Mussolini as an intermediary, to arrange a definite postponement of any attempt to settle the Danzig issue.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he had thought over this matter and had discussed it with the Prime Minister. He had reached the conclusion that to make such a move at the present time would convey the impression that we were in a state of nervous apprehension as to Danzig and wanted Signor Mussolini to get us out of a difficulty.

The fact that M. Daladier's response had not been very encouraging to the approach which Sir Eric Phipps had made to him on the question of effecting an improvement in Italian relations with France, was another reason for not making a further approach to Signor Mussolini at the present time.

THE PRIME MINISTER said that he entirely agreed with the Foreign Secretary's view that an approach on the lines indicated would be most undesirable at the present time.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS  
undertook to inform the High Commissioners  
for Australia and South Africa, who had raised the  
matter, of the conclusion which had been reached in  
regard to it.

The Cabinet took note of the statement  
made by the Secretary of State for  
Foreign Affairs.

POLAND.

6 Proposals for  
a Cash Loan  
to.

(Previous  
Reference:  
Cabinet 38  
(39), Con-  
clusion 4.)

3. THE CHANCELLOR OF THE EXCHEQUER said that the Polish Government had brought to an end the negotiations on this matter. It had been made quite clear to the representatives of the Polish Government that we and the French were prepared to give Poland help, subject to certain conditions. We were not prepared, however, to give Poland gold which Poland would store in vaults at Warsaw and make the basis for further expansion of her paper currency.

The Chancellor said that, in an answer which he had given to a Question in the House of Commons on the previous day, he had referred to the offer to the Polish Government of export credits to the amount of £8 millions, and he had done his best to make the reply in regard to the cash loan appear as innocuous as possible. A full statement of the facts would, of course, be somewhat encouraging to Germany.

Reference was made to misleading statements which had appeared in certain newspapers that morning (the "Daily Telegraph" and the "News-Chronicle") to the effect that this country had refused to make a cash loan to Poland and had prevented Poland from purchasing in other countries supplies which could not be obtained in this country. The Foreign Secretary was invited to take such steps as were possible to correct this misleading impression. The view generally expressed was that it would have to be made clear that the Polish Government had insisted on certain stipulations which H.M. Government had been unable to entertain.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS explained that a telegram had already been despatched to Warsaw to correct a misleading passage which

had appeared in the Polish official statement  
refusing a cash loan on the conditions offered by us.

The Cabinet took note of these statements.

POLAND (Contd)

(  
Military  
mission to.

Previous  
References  
Cabinet 37  
(39), Con-  
clusion 2.)

4. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he had had a long talk with General Ironside which had left him with the impression that the Polish Government would not resort to military action unless there was a definite military invasion of Poland by the German Army. He thought that the Polish Government would deal with incidents in Danzig by means of protests. Generally, the attitude of the Poles was calm. Marshal Smigly-Rydz, however, appeared to take the view that German ambitions were incompatible with the existance of a Polish State, and that war was inevitable. The Marshal did not, however, expect war in August, and said that if war did not break out in August it would not occur until January, when the ground would be frozen.

The Cabinet took note of this statement.

THE INTERNATIONAL  
SITUATION.

Russia.

(Previous  
Reference:  
Cabinet 38 (39)  
Conclusion 1.)

FR. #O(39)1.

5. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that his colleagues would have seen the long telegram from Sir William Seeds (No. 170 from Moscow) reporting his interview with M. Molotov on the ~~23rd~~  
~~24th~~ July. At this interview little had been said about indirect aggression, but the Soviet Government had been informed that we were prepared to accept Article VI and to agree to simultaneous entry into force of the political and military Agreements. This had given great satisfaction to M. Molotov who had asked whether the military conversations could start at once. On this point, Sir William Seeds and the French Ambassador had said they must obtain the instructions of their Governments.

M. Molotov's attitude had been that if we were prepared to agree that military conversations should start at once, he did not think that the definition of "indirect aggression" in Article 1 or the other outstanding points would give rise to insuperable difficulties.

The Foreign Secretary said that he was now in consultation with the French Government on the proposal that we should embark on military conversations with the Soviet Government as soon as military representatives could be made available for this purpose, and on the assumption that a determined attempt would be made to conclude the negotiations on the political agreement as soon as possible.

The Foreign Secretary said that it seemed likely that willingness to start military conversations was regarded by the Russians as a test of our good faith. He thought that the opening of

these conversations would have a good effect on world opinion, although he did not disguise his view that the conversations would take a very long time.

THE PRIME MINISTER invited attention to the remark made by the Turkish President to a Journalist to the effect that negotiations with Russia would continue to drag on until we made it clear that we were prepared to face the risk of a breakdown (Telegram No. 203 from Alexandria.)

Discussion ensued on the difficulties of carrying on military conversations with the Soviet Government, more especially until a political pact had been concluded. It was pointed out that we should put ourselves in a very weak position if we gave confidential information to the Soviet Government before we had concluded any pact with them. There was general agreement with the view that our representatives should be instructed to proceed very slowly with the conversations until a political pact had been concluded. In particular, it would be desirable that we should not allow Russia to start the conversations by obtaining information as to our own plans, but should rather endeavour to secure that the Russians let our representatives know what they could do to help e.g. Poland. It was desirable to establish closer relations between Russia and Poland and efforts in this direction, which would be very valuable, would be likely to occupy some time.

THE MINISTER FOR CO-ORDINATION OF DEFENCE referred to the importance of representatives of Turkey as well as Poland being brought into the military conversations at some stage. He mentioned the possibility that Turkey might be able to move large

forces from the Caucasus to her Western Frontiers. He agreed that the right way of starting the military conversations would be to ask Russia what action she proposed to take if war broke out.

The Cabinet took note of the statement made by the Secretary of State for Foreign Affairs.

THE INTER-  
NATIONAL  
SITUATION  
(Contd.)

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The position  
at Tientsin:  
The Tokyo  
negotiations  
(Previous  
Reference:  
58(39), Con-  
clusion 2).

6. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the negotiations in Tokyo on the local Tientsin issues had started on Monday afternoon. The Japanese had formulated demands under three heads (Telegram No. 860 from Tokyo). First, control of anti-Japanese activities in the Concession; secondly, currency questions; thirdly, the proposal that we should hand over the silver in the Concessions in Pekin and Tientsin.

FR 40 (34) 4.9. These demands, which probably represented all that the Japanese hoped to obtain, were in accordance with the general expectation. Every endeavour would of course be made to assist Sir Robert Craigie in securing a reduction of the Japanese demands. A fact-finding Sub-Committee, representing both the British and Japanese Delegations, had been appointed (a) to reach agreement as to what was the existing procedure in the Tientsin Concession for handing over criminals for trial, etc., (b) to reduce to writing the modifications of that procedure which the Japanese desired to see introduced. (Telegram No. 861 from Tokyo).

The Foreign Secretary said that he would not conceal from his colleagues that the negotiations would be very difficult, particularly in regard to currency matters. There was no doubt that on the currency issues the United States ought to help us. In reply to a request from the State Department at Washington we had explained our point of view to them, but it was clear that the United States Government did not wish to be directly associated with us in the negotiations and that their attitude was not likely to be very helpful.

Continuing, the Foreign Secretary said that the reception in China of the formula on general terms which had been agreed upon in Tokyo had been unfavourable, as had been expected. The Chinese Ambassador, who had been to see him, had expressed himself as greatly apprehensive. He, (the Foreign Secretary), had replied that he was not surprised at the attitude of the Chinese Ambassador since it was part of the Japanese plan to make it appear that we were betraying China. He had urged Mr. Quo not to play the Japanese game. The telegrams from Shanghai, and from Chungking reporting Chiang Kai Chek's attitude, had also been in much the same vein. A message had been sent with the object of reassuring Marshal Chiang Kai Chek as far as this was possible.

The Foreign Secretary said that he was satisfied that the right course was to hold our position in the Far East and to take whatever action was possible to extricate ourselves from a difficult position. He had had some discussion on the previous day with the Japanese Ambassador, who had expressed the view that Mr. Arita was experiencing great difficulties, but was finding his way round them. The Foreign Secretary had told the Japanese Ambassador, who had been very friendly, that, provided the Japanese Government did not press impossible demands upon us, he hoped that means could be found for reducing the tension.

Reference was made by the MINISTER OF TRANSPORT to Sir Robert Craigie's telegram of the 20th July (No. 821 from Tokyo) in which he had proposed the introduction of legislation permitting restrictions on imports from Japan.

THE FOREIGN SECRETARY said that it was, of course, possible that the mere introduction of legislation might have a good effect. If this did not prove to be the case, however, we should then be exposed to strong pressure to make use of it; and it was essential to consider where such action would lead us. He pointed out further that at an earlier stage, Sir Robert Craigie had not been in favour of economic retaliation unless the United States Government were prepared to co-operate with us, and unless we were prepared to use force.

THE PRESIDENT OF THE BOARD OF TRADE added that the general lines of the legislation which would be needed if it were decided to adopt the policy of retaliation, had been settled and that as a precautionary measure, steps were being taken to have a Bill drafted.

The Cabinet took note of the statement by the Secretary of State for Foreign Affairs.

INTERNATIONAL  
SITUATION (Cont'd.).

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Egypt.

(Previous  
Reference:  
Cabinet 37 (39)  
Conclusion 6.)

7. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the Egyptian Prime Minister had expressed great pleasure at the proposed reinforcements from India, and was greatly reassured as to the position.

THE CHANCELLOR OF THE EXCHEQUER and THE SECRETARY OF STATE FOR AIR hoped that this opportunity would not be lost of securing that Egypt fulfilled her obligations in regard to the provision of barrack accommodation for our troops.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the Egyptian Prime Minister was in bad health and was not likely to continue much longer in office.

The Cabinet took note of the statement by the Secretary of State for Foreign Affairs.

INTERNATIONAL  
SITUATION (Cont'd.).

Spain.

(Previous  
Reference:  
Cabinet 33 (39)  
Conclusion 6.)

8. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS  
*conversations that he had had w/*  
referred to a recent ~~despatch~~ from Sir Maurice

Peterson, who had expressed the view that the  
position as regards Spain was by no means

unfavourable from the point of view of the  
international situation. The Italians and Germans

were by no means popular. The Spanish people

were friendly to us, though our relations with  
them suffered in some measure from their

irritation at the attitude adopted by France.

The internal position of Spain was somewhat  
chaotic, and the view was held that it was most  
unlikely that Spain would become involved in war  
again for a very long time.

THE CABINET took note of this statement.

INTERNATIONAL  
SITUATION (cont'd.)

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Attitude of  
the Press.

(Previous  
Reference:  
Cabinet 20 (39)  
Conclusion 1)

9. THE SECRETARY OF STATE FOR SCOTLAND pointed out that in recent weeks the London Press had indulged in a number of stunts in connection with the international situation. There had been posters to the effect that there would be peace during August because Germany willed it. On the previous day there had been a sensational story that Hitler was ill. The effect of these announcements must be to make Germany think that we were in a state of nervous apprehension. German air manoeuvres were to take place in North-West Germany and if these were written up it might result in increasing the tension.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said he thought the newspaper proprietors were open to persuasion on individual questions. He instanced a series of articles on the Secret Service written for the Evening Standard which were filled with undesirable matter, and which he had hoped would not appear as a result of representations which he had made. He thought, however, that it would be more difficult to deal with the general tendency for newspapers to be inflammatory. While emphasizing the difficulty of taking effective action, the Foreign Secretary undertook to consider whether any action was possible in the matter.

The Cabinet took note of these statements.

INTERNATIONAL  
SITUATION (Contd.)

Turkey.

(Previous  
Reference:  
Cabinet 38(39)  
Conclusion 7.

FR 40(39)3.

10. In reply to a question, THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the political discussions with Turkey were proceeding and that the Foreign Office took a hopeful view of their outcome. He thought, however, that considerable difficulty would be experienced in dealing with the negotiations on financial subjects.

THE PRESIDENT OF THE BOARD OF TRADE said that if a limited sum of money could be made available to cushion the compensation scheme, definite advantages would accrue to us from the commercial point of view.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he hoped that when this matter came to be considered it would be borne in mind that Turkey was a "key" Power and that it was essential to retain her friendship.

THE CABINET took note of this statement.

INDIA.

- Defence of.

Previous  
Reference:  
Cabinet 34 (39)  
Conclusion 3.)

11. THE SECRETARY OF STATE FOR INDIA reminded his colleagues that at the meeting of the Cabinet referred to in the margin, it had been agreed that, while the Chatfield Report and the decisions reached upon it should not be published as a whole, it would be necessary to publish a carefully-worded despatch from himself to the Viceroy, which would contain as much of the Chatfield Report as it was decided should be made public. Since this procedure had been agreed upon, circumstances had arisen which made it desirable that this despatch should be published as soon as possible. At the meeting of the Committee of Imperial Defence held on 21st July (C.I.D. 367th Meeting) it had been decided that force "Heron" should be sent from India to Egypt and force "Emu" and two bomber squadrons from India to Singapore. The orders for the move of the first-named force had been issued and troop movements were taking place in India. These troop movements were already giving rise to speculation in the Press, where they had been linked up with the Report of Lord Chatfield's Committee.

The Secretary of State said that a despatch had been drafted and sent to the Treasury who, he gathered, concurred generally in its terms, subject possibly to minor drafting amendments, and it would be sent that day to the Viceroy by air mail. As, however, the Government of India as a whole had not yet seen the Chatfield Report, it was clear that some days must be allowed for consideration of the matter, and he thought that the earliest date on

which the despatch could be published would be the 10th August.

Another reason why it was desirable that the despatch to the Viceroy on the Chatfield Report should be published was that it was contemplated under the proposals in the Chatfield Report that if the forces held in India for her external defence were used outside India in an emergency affecting India's external security, their ordinary maintenance charges should be borne by India, the apportionment of the extra charges between Imperial and Indian funds being agreed by the two Governments at the time. It was desirable that this recommendation should be made known in India, since otherwise it would be claimed that Indian troops were being used for the Imperial purposes of His Majesty's Government. It would be seen, when the draft despatch was published, that India had received valuable consideration for the adoption of this proposal in the shape of the increase in the Garran Grant and in the assistance to be afforded from the British Exchequer towards the capital cost of re-organising and modernising the forces in India.

For these reasons the Secretary of State for India thought it desirable that the draft despatch to the Viceroy should be published as soon as possible.

This course was agreed to.

THE SECRETARY OF STATE FOR INDIA then referred to the conclusion reached at the Meeting of the Committee of Imperial Defence on the 21st July, namely, that the date of the despatch of force "Emu" and the two bomber squadrons from India to Singapore should be

left open pending the agreement of the Government of India as to the principles which should govern the cost of Indian troops when employed outside India in defence of India's external commitments. He thought that, if there was a real military necessity for this move, he should be authorised to arrange for this brigade and the two bomber squadrons to leave at once. Otherwise it would not be possible for them to leave until the middle of August, in which event they would not reach Singapore until the beginning of September. He felt no doubt that the Government of India would accept the principle set out in the Chatfield Report, to which he had already referred, that the normal cost of these troops should be charged against Indian revenues. He pointed out that Defence was a reserved subject and that, if need be, steps could be taken to ensure that this recommendation went through.

In the light of this explanation, it was agreed, after some further discussion, that immediate orders should be issued for the despatch of force "Emu" and two bomber squadrons from India to Singapore.

The Cabinet agreed:

- (1) To authorise the Secretary of State for India to publish a despatch from himself to the Viceroy containing as much of the Chatfield Report, and the decisions of the Government thereon, as it was desired should be made public:
- (2) That, having regard to the assurance given by the Secretary of State for India that the Government of India would be prepared to accept as a charge against the Indian revenues the normal cost of the forces to be despatched to Singapore (the apportionment of the extra charges being a matter for agreement between the two Governments), orders should be issued forthwith for the despatch of force "Emu" and two bomber squadrons from India to Singapore.

CO-ORDINATION  
OF DEFENCE  
PROGRAMMES.(Previous  
Reference:  
Cabinet 36  
(39), Con-  
clusion 2).

12. The Cabinet had before them a Memorandum by the Prime Minister (C.P.-166 (39)) in which attention was drawn to the frequent submissions made, during the preceding months, by the Defence Departments to the Treasury and the Cabinet for large and costly additions to the programmes previously authorised. It was clearly undesirable, from the financial point of view, that the Chancellor of the Exchequer should be called upon to consider large demands from one Service without knowledge that other large demands might before long be submitted to him by other Services. The need for considering the Defence Programmes as a whole was reinforced, moreover, if the matter were considered from the point of view of availability of labour supply and of industrial resources. For example, unless the Government were in a position to envisage the situation as a whole from the point of view of demands on labour and manufacturing resources, there was grave risk that any increases or extensions of existing programmes which might hereafter be sanctioned would result in delaying progress on projects previously authorised.

To meet this situation, the Prime Minister proposed that, if any of the Defence Departments, or the Lord Privy Seal's Office, made new proposals involving heavy demands on labour, manufacturing capacity or finance, over and above the demands necessitated by the programmes already authorised, those proposals should be considered by a Ministerial

Committee, composed as follows:-

The Prime Minister (Chairman),  
 The Minister for Co-ordination of Defence  
     (Deputy Chairman),  
 The Chancellor of the Exchequer,  
 The three Service Ministers,  
 The Minister of Supply,  
 The Lord Privy Seal, and  
 The Chancellor of the Duchy of Lancaster  
     (other Ministers being co-opted as  
     necessary).

The first task of this Committee would be to satisfy themselves whether any substantial demands likely to be submitted in the near future by any of the Service Departments or for Civil Defence, involved calls on labour and manufacturing capacity beyond the resources which could be made available for the Defence Services or for Civil Defence. In order to enable the Ministerial Committee to obtain the necessary information for this purpose, the Prime Minister proposed that an Inter-Departmental Committee should be appointed, under the Chairmanship of the Chancellor of the Duchy of Lancaster, comprising official representatives of:-

The Admiralty,  
 The Air Ministry,  
 The War Office,  
 The Ministry of Supply,  
 The Lord Privy Seal's Office,  
 The Board of Trade,  
 The Ministry of Labour,  
 The Treasury.

When the Ministerial Committee had received the Report of the Inter-Departmental Committee and had ascertained whether the programmes proposed were within the available production and labour resources, it would be necessary for it to consider the wider issues, namely, how the programmes which came before them should be

fitted into the balanced scheme of Defence, covering the whole range of our defence preparations, and taking into account our strategical needs and our financial strength. Following the precedent of ordinary Meetings of the Committee of Imperial Defence, the Prime Minister proposed that the Minister for Co-ordination of Defence should preside at Meetings of the Committee when questions affecting labour supply and industrial capacity were under investigation, while the Prime Minister would preside when the wider issues were under discussion. The proposals in the Prime Minister's Memorandum were intended to be limited in the first instance to the needs of the immediate situation, namely, proposals for new projects or additional acceleration which might be made before the following March.

THE PRIME MINISTER explained that this matter had arisen out of a discussion on certain Admiralty proposals at the Committee of Imperial Defence. He understood that certain proposals might shortly be coming forward from the Air Ministry which might make considerable demands on our productive resources. He thought these should be dealt with by the proposed Ministerial Committee.

The Prime Minister explained that it would be important that the Minister of Labour and the President of the Board of Trade should be able to assist the Committee. Again, the Foreign Secretary, while no doubt he could not spare the time to be a member of the Committee, might wish to attend on occasions. It was with these considerations in mind that he (the Prime Minister) had proposed that there should be a power of co-opting other Ministers as necessary.

THE MINISTER FOR CO-ORDINATION OF DEFENCE said that in the preceding months three major defence problems had arisen, namely - (1) the extra requirements for the Army which had been dealt with by a Committee with the Prime Minister in the Chair; (2) certain extra requirements for the Air Ministry which had been dealt with by the Secretary of State direct with the Chancellor of the Exchequer; (3) various proposals from the Admiralty which had been considered quite recently. He strongly favoured consideration of such additions to the programmes by the method proposed.

THE SECRETARY OF STATE FOR AIR asked how the proposed Committee would affect the working of the Committee of Imperial Defence.

THE PRIME MINISTER pointed out that the Minister for Co-ordination of Defence, the three Service Ministers and the Minister of Supply would be represented on the Committee and it would be possible to obtain the views of the three Chiefs of Staff on any strategic issues, if this were desired.

THE SECRETARY OF STATE FOR WAR said that he assumed that the phrases in the Memorandum which referred to the availability of labour supply and of industrial resources envisaged that it might be necessary to consider priorities not merely between the needs of the Service Departments themselves but also between those needs and the needs of civilian industry. It might well be that certain articles were being made for civil consumption which should not be made at the present time.

THE PRIME MINISTER agreed that it would be necessary to consider the productive capacity of the country as a whole and to what extent new needs could be made by encroaching on civil work.

THE MINISTER OF SUPPLY agreed with the proposals which he thought would meet an important requirement.

Some discussion ensued as to the Departments which should be represented on the Inter-departmental Committee suggested in paragraph 4 of the Memorandum.

THE MINISTER OF AGRICULTURE AND FISHERIES expressed the wish that his Department should be represented. He was anxious to ensure that agricultural needs were sufficiently taken into account in the siting of defence works or new factories.

It was explained that this Committee would be mainly concerned with new programmes rather than any particular sites, but it would be for the Committee itself to determine whether a particular problem should be dealt with in general terms or by relation to the proposed siting of any particular factory or defence establishment.

In the course of discussion, it was suggested that the Ministry of Health and the Scottish Office should also be represented. It was finally agreed that the best way for dealing with this matter would be that the Chairman of the Committee should have the option to co-opt the representatives of other Departments as and when necessary.

The Cabinet approved the proposals set out in the Prime Minister's Memorandum (C.P. 166 (39)) for the establishment of a Ministerial Committee (to be assisted by a Departmental Committee) to deal with the co-ordination of defence programmes, subject to the modification that the Chairman of the Inter-departmental Committee should have the right to co-opt representatives of other Departments as and when necessary.

DEFENCE BILL  
AND REGULATIONS.

Report of Cabinet Committee.

Previous Reference:  
Cabinet 36 (39), Conclusion 1.)

13. The Cabinet had under consideration the Report (C.P.-160 (39)) of the Cabinet Committee appointed at the Meeting noted in the margin to examine the detailed arrangements for giving effect to the decision reached by the Cabinet on the 17th May, 1939, (Cabinet 28 (39), Conclusion 8), that Defence Regulations should be held ready for issue before an actual outbreak of war, if necessary in advance of the passing of the Emergency Powers (Defence) Bill. At the end of their Report the Committee (which had examined this matter with the assistance of the War Legislation Sub-Committee of the Committee of Imperial Defence) summarised their recommendations as follows:-

"(a) The enabling legislation providing statutory Authority for the Defence Regulations should be in the form of the Emergency Powers (Defence) Bill attached as Appendix I to the Report, which should be introduced at the same time as, or as soon as possible after, the first issue of Defence Regulations.

(b) The Defence Regulations should be held in readiness in four codes:-

(1) Code A, for issue at the onset of an emergency;

(2) Code B, for issue as a supplement to Code A after the outbreak of hostilities;

(3) Code AB, for issue after the outbreak of hostilities if Code A had not already been issued; and

(4) The Defence (Finance) Regulations, to be issued either before or after the outbreak of hostilities, at the moment when financial policy required it.

(c) The times for the issue of the various Codes of Regulations, and for the introduction into Parliament of the Emergency Powers (Defence) Bill, should be matters for Cabinet decision when an emergency threatened; Code A might be required at the stage when evacuation of the civil population was ordered, or at the stage when the anti-aircraft defences were fully manned.

- (d) On the assumption that the above recommendations were accepted, provision should be made in the Government War Book for putting them into effect.
- (e) The numbering of the Regulations should be stereotyped for some time to come; if a Regulation became unnecessary, a gap should be left in the numbering and an indication given that the Regulation had been cancelled.

In the course of explaining the main points of the Report, THE HOME SECRETARY referred to the important suggestion made by the Lord Chancellor at the Meeting of the Cabinet on the 17th May (Cabinet 28 (39), Conclusion 8) that a one-clause Bill should be passed in peace time conferring on The King the prerogative right by Order in Council to take such steps as might be necessary for the safety of the Realm if the risk of immediate hostilities was imminent. The conclusion reached had been that the objections to a short Bill, on the lines proposed, were even greater than the objections to the introduction in peace time of a long Bill. Briefly, the short Bill would be open to the same objections as a long Bill from the point of view of public opinion, but it would not contain the detailed safeguards which would be set out in the long Bill. In any event, at the present juncture Parliamentary time was not available to introduce a Bill on the lines proposed, and for the present, at any rate, he thought it was essential to act on the basis set out in the Report of the Cabinet Committee.

The Committee had also reached the conclusion that it was better that the Regulations should be made by Order in Council, which would be validated subsequently by the Emergency Powers (Defence) Act,

rather than that the Departments should take action without cover of any kind.

THE LORD CHANCELLOR said that the Cabinet would appreciate that, as a Lord Chancellor and as a Judge, he could not approve a procedure which was wholly illegal. He thought that only the most absolute necessity could excuse The King being advised to approve Orders in Council which were ultra vires. While certain circumstances might excuse wholly illegal acts, they did not, in his view, justify them.

The Lord Chancellor added that he could not agree that the short Bill, which he had himself drafted, was open to the objections which had been urged against it. He thought that it was a real defect in our constitution that if Parliament was adjourned or prorogued or if a dissolution had taken place, there was no statutory authority enabling steps to be taken for the protection of the Realm in the event of an emergency. While he agreed that, for the time being, the course proposed was the only one open to the Government, he hoped that after the Recess further consideration would be given to remedying this serious defect in our constitutional procedure.

THE SECRETARY OF STATE FOR DOMINION AFFAIRS said that, while he had not had the benefit of seeing the Bill drafted by the Lord Chancellor, he had always been one of those who had taken the view that it would be desirable to pass the Emergency Powers (Defence) Bill before an emergency took place. He was in favour, therefore, of conferring upon the Executive in peace time, powers to deal with the situation which would arise in an emergency, and he thought that public opinion would now be ready to accept this step.

THE SECRETARY OF STATE FOR HOME AFFAIRS doubted whether Parliament would view the matter in this light. He thought that the debate that afternoon on the Prevention of Violence (Temporary Provisions) Bill might throw some light on this matter.

THE SECRETARY OF STATE FOR AIR said that he thought grave difficulty would be experienced in regard to the Defence Regulations which related to the Press, if the Emergency Powers (Defence) Bill was to be passed in time of peace. He also reminded his colleagues that if an attempt were made to pass the Bill into law in time of peace, there was the risk that the powers asked for might be made subject to conditions or stipulations which would hamper the authorities.

THE CHANCELLOR OF THE EXCHEQUER agreed that the Report of the Cabinet Committee should be approved as the procedure to be adopted in the event of an emergency taking place in the near future. For his part, he thought he would prefer to risk the possibility that it might be necessary to make Orders in Council in advance of the passing of the Emergency Powers (Defence) Bill, rather than to attempt to confer upon the Executive in time of peace the tremendous powers which that Bill contained.

The Chancellor of the Exchequer also said that a financial crisis might arise in advance of the outbreak of hostilities, and that immediate action might be necessary. He therefore asked that he should be authorised to arrange for the issue, under the authority of an Order in Council of the Financial Regulations after consultation with the Prime Minister and without obtaining the prior sanction of the Cabinet.

This course was agreed to.

The Cabinet agreed --

To approve the Report of the Cabinet Committee on the Defence Bill and Regulations, as summarised above, subject to the following points:-

- (a) That if a situation of great urgency arose, the Chancellor of the Exchequer should be authorised to arrange for the issue under the authority of an Order in Council of the Defence (Finance) Regulations, after consultation with the Prime Minister but without reference to the Cabinet.
- (b) That the adoption of this recommendation should not prejudice further consideration after the Recess of the Lord Chancellor's suggestion that a Bill should be passed, in time of peace, to enable the Government of the day to make Orders for the safety of the Realm in the event of Parliament at the time being adjourned, prorogued or dissolved.

RESERVES OF  
FOOD AND RAW  
MATERIALS.(Previous  
Reference:  
Cabinet 37  
(39), Con-  
clusion 12.)

14. The Cabinet had before them a Memorandum by the Minister for Co-ordination of Defence (C.P.-165 (39)) in which he stated that, in conjunction with the Minister of Supply and the Chancellor of the Duchy of Lancaster, he had had under review the extent of the Government Reserves of Food and Raw Materials, particularly with reference to the representations on this subject received from Sir Arthur Salter, M.P. and Mr. L.S. Amery, M.P., and the Bulletin recently published by the Air Raid Defence League entitled "Food in War Time". The proposals put forward from these and other quarters were, in effect, that the Government should at once bring to this country the maximum quantity, for which shipping space could be found, of those foodstuffs and raw materials which would be required in time of war, partly with a view to adding to our war reserves, but also with the object of saving shipping tonnage once hostilities had begun. After describing the policy hitherto followed, the Memorandum stated that in their review of the size of the Government reserves, the Ministers had considered to what extent they might wisely be increased so as to save shipping tonnage on the outbreak of hostilities. The scope of their review had been restricted to a short-range policy, i.e., to what extent additional reserves of raw materials and food, over and above those already authorised, could be purchased by the Ministry of Supply and the Food (Defence Plans) Department respectively, to arrive in this country not later than the 15th October next; but they considered that a careful review of our long-range storage policy should be made in the coming Autumn.

The Ministers summarised the result of their examination in two Annexes attached to the Memorandum. Annex I contained a list of raw materials for which storage accommodation might be found, and of which additional Government reserves above those already authorised might be purchased without reduction of commercial stocks or undue interference with normal supplies. Annex II comprised a list of foodstuffs for which storage accommodation could be found in the United Kingdom, and of which Government reserves, over and above those already authorised, could be purchased without reduction of commercial stocks. The Ministers considered that there was a good case for obtaining the additional reserves set out in these annexes. They accordingly recommended --

- "(i) That approval should be given to the immediate purchase of the supplies shown in the Annexes to their Memorandum (or so much of them as the Departments concerned could, after further enquiries, arrange to be delivered to this country at a date not materially later than 15th October next), the total cost not to exceed for raw materials £15 millions, and for food supplies £5 millions;
- (ii) That the Committee of Imperial Defence should arrange for a further review to be made of our long-term storage policy for both food supplies and raw materials in the early Autumn."

In the course of an introductory statement, THE MINISTER FOR CO-ORDINATION OF DEFENCE explained the main points in his Memorandum. He said that the Chancellor of the Duchy of Lancaster now had more up-to-date information in regard to the sugar position. The proposals set out in his Memorandum represented what could be done on a short range policy. These proposals did not constitute a final programme but, if the Cabinet approved them in principle, it would then be necessary for items to be discussed with the Departments concerned, including the Treasury.

THE LORD PRESIDENT OF THE COUNCIL said that if the purchases were to be made, they should be made as quickly as possible as the markets were now favourable. He had been informed that a proportion of the food now in storage in old warehouses, particularly at Bristol, was deteriorating rapidly owing to infection by pests. He asked that the fullest use should be made of the scientists who were now studying these pests.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the wheat which was exposed to infection by pests was that which had been bought from Roumania on grounds of high policy. Broadly, our wheat reserves in this country were being turned over with very little loss owing to deterioration, although it was true that there had been some loss in the Bristol warehouses.

THE MINISTER FOR AGRICULTURE AND FISHERIES stressed the importance of interdepartmental discussions before the purchases were decided upon. For example, the proposed purchases of frozen meat would have to be very carefully arranged if they were not to have a disastrous affect on the market when the stocks came to be turned over. He also urged that further consideration should be given to increasing reserves of normal animal feeding stuffs, especially those which would keep the dairy industry going in time of war.

THE PRESIDENT OF THE BOARD OF TRADE, while in general agreement with the proposals in the Memorandum, thought that interdepartmental discussion would be necessary on a number of individual items. He questioned the inclusion of butter among the commodities to be bought for reserve, on the grounds that butter would be a luxury in time of war and that its transport occupied very little tonnage. Surely it would be better to concentrate on purchases of commodities which would last longer and which occupied more tonnage. There was also the danger that by buying reserves quickly, the Government would be competing with the normal importers and buying stocks which would otherwise be imported in the normal course of trade.

THE MINISTER OF SUPPLY said all these points had been in the mind of those who had framed the Memorandum. He hoped that the proposals would receive general approval. He thought that it was

impossible to justify a position in which there was empty storage in this country at a time of international tension.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the conservation of shipping space had been one of the most important factors taken into account in framing the proposals. Since the Memorandum had been drafted, the position in regard to sugar had been further investigated. It was now found that it would be possible to purchase 100,000 tons of raw sugar for delivery in September and October. This stock would be placed temporarily in warehouses owned by Tate and Lyle and the British Sugar Corporation. It was true that most of this stock would come from Cuba and Java, but, while this was not attractive from the exchange point of view, the transaction would only represent an anticipation of purchases from these countries since Tate and Lyle would be able to take over the stocks early in 1941 and replace them by purchases from Empire countries.

The question whether sugar could not be purchased from Mauritius was raised and the CHANCELLOR OF THE DUCHY OF LANCASTER undertook to investigate this point.

THE MINISTER OF HEALTH stressed the importance, from the health point of view, of reserves of animal feeding stuffs, which would safeguard our milk supplies.

THE CHANCELLOR OF THE DUCHY OF LANCASTER explained that the difficulty was that there was insufficient storage capacity in this country at the present time for animal feeding stuffs. He undertook to consider a suggestion that empty cotton mills might be used for storage.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS hoped that when these purchases were considered in detail, regard would be paid to the claims of countries in South East Europe which were politically of great importance to us.

THE CHANCELLOR OF THE EXCHEQUER said that he thought it would be generally agreed that the details in regard to the proposed purchases could not be settled in Cabinet. He was prepared to agree that general approval should be given to the proposal that the reserves of raw materials and food supplies in this country should be increased, on the lines which had been indicated, subject to each case being examined on its merits by the Departments concerned, including the Treasury. In particular, the proposal to purchase large quantities of sugar (which he agreed should be included among the purchases which should be examined by Departments) would require special investigation. Another important point was whether the proposed purchases would involve a strain on the dollar exchange. He instanced the proposed purchases of lard from the United States.

The Cabinet agreed -

To approve in principle the proposal that immediate purchases of supplies of raw materials and food stuffs should be made on the general lines indicated in Annex I and Annex II to the Memorandum appended to C.P. 165 (39) subject to the conditions -

- (i) That the total cost should not exceed in the case of raw materials £15 million, and in the case of food supplies £5 million.
- (ii) That the details of each of the proposed purchases should be the subject of consideration by the Departments concerned, including the Treasury.
- (iii) That the Committee of Imperial Defence should arrange for a further review to be made of our long-term storage policy for both food supplies and raw materials, in the early autumn.

DEPRESSED  
AREAS.

Report of  
Cabinet  
Committee.

(Previous  
Reference:  
Cabinet 60  
(38), Con-  
clusion 15.)

15. The Cabinet had under consideration a Note by the Prime Minister (C.P.-161 (3s)) regarding the Report of the Depressed Areas Committee. In the previous November, the Committee had decided that, as an interim measure, the Special Areas Acts should be continued for another year by means of the Expiring Laws Continuance Bill, and that something should be done to meet the claim that the Government ought no longer to confine assistance to the Special Areas as scheduled in the 1934 Special Areas Act, but should assist the development of new industries in areas of heavy unemployment, whether in or outside the technical Special Areas.

One of the methods which had proved of greatest value in the development of industry in Special Areas had been the provision of loan facilities for the establishment of new industries, and the Committee had accordingly decided that it would be desirable to introduce legislation to provide such facilities in areas of heavy unemployment, to be defined not by a geographical schedule but by a series of conditions. It had hardly seemed necessary to report this decision to the Cabinet, but action had been taken to include the Special Areas Acts for one year in the Expiring Laws Continuance Bill, and the Minister of Labour had announced the Government's intention to introduce legislation at an early date to provide loan facilities. On the 11th July the Chancellor of the Exchequer had announced that the Bill was in course of preparation, that he hoped it might be possible to introduce it before the House rose for the Summer Recess, and that, if there was general agreement, it might be possible to carry the measure before the end of the Session.

Since the Cabinet Committee had considered the matter, however, the unemployment position had undergone a complete change, and if the matter were to be considered now entirely on its merits, without regard to past pledges, it was doubtful whether such legislation would be justified. In view, however, of the pledges given, it was clear that the Bill should be introduced at the earliest possible date. The Cabinet Committee had not had time to meet and consider the actual terms of the Bill, but it had approved the Joint proposals by the Minister of Labour and the Secretary of State for Scotland on which the Bill was founded. The main provisions of the Bill (of which a copy was attached to the Prime Minister's Note) were as follows:-

- (i) The Treasury to be empowered up to March 1942 to agree to make loans to new undertakings to be established in areas of heavy unemployment. The total sum to be available was not specified, but there was to be a limit of £200,000 for any one loan.
- (ii) Loans were only to be made for industries established in areas of heavy unemployment which were defined in Clause 1 of the Bill. It would be noted that the Bill deliberately made no reference at all to the Special Areas, nor would the definition of "areas" include large cities such as Glasgow or Liverpool.
- (iii) In order that the Government may be assured that applications had local support and were not likely to conflict with existing industries in the areas, it was provided that the initiative should rest with a Local Development Council which would be required to introduce the industry to a small Advisory Committee, appointed by the Treasury; if it thought the application merited consideration, the Committee would ascertain from the Ministry of Labour whether the area proposed fell within the definition of an area of heavy unemployment in the Bill. If so, the Advisory Committee would examine the merits of the application from an industrial and financial standpoint. The Treasury would not be empowered to make any loan except upon the advice of this Committee.

The Prime Minister accordingly recommended that -

- (i) subject to consideration and approval by the Committee of Home Affairs, the Bill should be introduced before the House rose for the Summer Recess;
- (ii) the Government should attempt to get the Bill passed during the current Session.

After a short discussion the Cabinet agreed:-

That the proposed Bill be introduced in the House of Commons -

- (i) before the Summer Recess;
- (ii) without further reference to the Cabinet, subject, however, to the approval of the Home Affairs Committee.

SPINSTERS'  
PENSIONS.  
-  
Claim for.

16. The Cabinet had before them a Memorandum by the Chancellor of the Exchequer (C.P.-164 (39)) regarding the Claim for Spinsters' Pensions, in which it was recalled that, as a result of agitation by a body known as the National Spinsters' Pensions Association, which had received considerable support in the House of Commons, it had been decided, early in 1938, to set up a Committee under the Chairmanship of Mr. C.T. Le Quesne, K.C., "to examine and report on the complaints which are made as to the position of unmarried women under the Contributory Pensions Acts and on the practical questions which would arise if the age at which Old Age Pensions under those Acts are payable to unmarried women were lowered". The Committee had submitted their Report in March of the current year, and a summary of it was attached as an Appendix to the Memorandum.

It was quite clear that the Committee had not endorsed any of the main contentions of the spinsters and their champions. The National Spinsters' Pensions Association were, however, actively pursuing their campaign, in spite of the Report of the Committee. A resolution concerning Spinsters' Pensions had been tabled in the House of Commons in the name of 199 Members, pressing for revision of the amount and conditions of existing pensions and urging the Government to take into special consideration the claim of spinsters for pensions at an earlier age. The Government must, therefore, reach a decision on the merits of this claim.

Apart from the fact that the claims of the Association had been rejected by an independent Committee, the initial cost of meeting them would be about £4,400,000 a year. The Chancellor agreed also with the view of the Committee that, if it were decided at this cost to grant a pension to spinsters at 55, it would be impracticable to withhold it from other classes of insured women; and, further, that the demand for pensions at 55 for the wives of pensioner husbands would be almost impossible to resist. These consequential extensions would increase the initial cost of the concession to some £14 millions a year.

The Chancellor therefore recommended that, if and when the Government were asked for their views about the claim of the spinsters, they should say that the claim had been referred for consideration by an independent and impartial Committee, which had come to the conclusion that the Spinsters' Pensions Association had failed to make their case; that the Government were prepared in the main to accept the view of this Committee, and were not prepared to introduce legislation to provide pensions for spinsters under more favourable conditions than now operated. If pressed to express an opinion upon certain minor points in respect of which the Report was critical of the Government, it could be said that these were technical matters which would require careful consideration, but did not call for any immediate action.

Old Age  
Pensions.

THE PRIME MINISTER referred to the proposal in paragraph 5 of the Chancellor's Memorandum that the Government should state that they had referred the spinsters' claim for consideration by an independent and impartial Committee, and that that Committee had come to the conclusion that the Spinsters Pension Association had failed to make their case. In the meantime, the Opposition had put down a vote of censure on the Government for their refusal to provide the ways and means for the improvement and extension of Old Age Pensions. The claims in this matter had been skilfully worked up throughout the country and the Labour Party was now putting forward a scheme for a pension of £1 per week to a man and 35/- to a married couple, the wife to be eligible to receive her pension on reaching the age of 55 provided that her husband was over 65 and had retired from work. This scheme would involve an expenditure in the neighbourhood of £80 or £90 millions a year. The superficial attractiveness of this scheme was obvious and interest in it was heightened by rumours of an impending general election. The matter was now being actively canvassed in the constituencies. It was known that agitation in this matter had not confined itself to the Labour and Liberal Opposition but had spread to some of the Government back-benchers. A number of Government supporters had committed themselves to the view that the Government should take some action on the matter.

The Prime Minister said that he had taken these considerations into account in determining the line which he should take in replying to the Leader of the Opposition in the debate on the ensuing day. He proposed to speak on the following lines. First, that the Government had every sympathy with the hardships of the old people of

this country. Secondly, he proposed to set out what the Government had already done for the improvement of social services so as to show that their sympathy was of a practical kind. In the third place he would indicate that the reason why he was not prepared to give an affirmative answer to the claims put forward was not from any lack of sympathy for the old people of this country but because we had to consider our responsibilities in other directions. In particular, we were in the middle of a rearmament programme which involved very heavy expenditure. In this connection, the Prime Minister proposed to make clear a point which he thought was insufficiently appreciated by Members of Parliament generally, namely, that from the financial point of view the most serious part of the defence programme was not the immediate capital expenditure but the cost of maintenance of the expanded force when the rearmament programme was over. He proposed to explain that on the present level of taxation we could find some £250 millions a year for the maintenance of the Defence Forces. When, however, the additions to those forces now in progress had been completed, the annual cost of maintenance might be as much as £100 or £200 millions a year over the figure now found out of taxation. This heavy additional sum would also have to be found out of taxation. He thought that nothing less than a statement on these lines would convince the House of Commons of the impracticability of adding a large sum to our pension liabilities at the present time.

The Prime Minister thought it would be desirable to add that, while it was clearly out of the question to assume any very large additional burden on account of improvements in pensions, it must not be inferred that it was impossible to do anything by way of adjustment or

improvement of the existing scheme. Although there were many calls for improvements in the social services, there seemed to be a general desire to concentrate on improvements in old age pensions and the Government was disposed to follow this lead. It was therefore proposed that the Government should set up an enquiry to examine what was practicable in the way of improvement in old age pensions, subject to the condition that the Exchequer could not shoulder any substantial additional burden. It would therefore appear that the extent of what could be done would depend largely on how far the workers and employers were prepared to pay additional contributions. It was therefore proposed to appoint an independent Committee comprising representatives of employers and workers with some representatives of the general public and an impartial Chairman. He would propose that a Committee on these lines should be set up with instructions to report in the Autumn.

The Prime Minister said he would welcome the observations of his colleagues on the proposed lines of his speech. He was satisfied that there would be dissatisfaction on the part of a considerable number of Government followers if the Government were to refuse to take any action in the matter, and the result would be a somewhat damaging debate.

The Prime Minister said that while he was not of course committed to any specific improvements, there were two points which he thought merited serious consideration. The first was the case of a man of 65 who had a wife very much younger than himself. Would it be possible to provide that the wife would be eligible for old age pension on reaching the age of, say, 60? The second point was that while most old age pensioners had some other

source of income, there were a number who had not, and who nevertheless felt very reluctant to apply to the Public Assistance Authorities. While it would be difficult to alter this position, there was no doubt that a change in this respect would meet with general approval. He thought this point might also be examined.

In the course of discussion, the main point dealt with was the form of Committee proposed. It was first suggested that it would be undesirable to have an independent Committee and that it would be preferable to set up a Cabinet Committee. A situation might arise in which it would be somewhat embarrassing to the Government to have appointed a Committee which might not have reported. It was also urged that, while in normal circumstances there was much to be said for appointing a Committee with representatives of Employers and Workers, in the present case the official representatives of the Workers were all committed to the Labour Party Scheme and some other form of inquiry would be preferable.

On the other hand, the view was expressed that it would be unwise to say that a Committee of Cabinet Ministers was being appointed and that the right course would be to adopt some general phrase to the effect that the Government were arranging for the position to be reviewed. It was also urged in favour of the adoption of some such phrase as "that the Government is enquiring into the matter" (rather than the appointment of an independent Committee) that the condition mentioned by the Prime Minister, namely, that the Exchequer could not shoulder any substantial burden, was not one which would be capable of easy definition in formal terms of reference.

In this connection, THE MINISTER OF HEALTH said that his Department had plans and proposals in a forward state. While proposals could be put forward rapidly to persons who were familiar with the general position, if an independent Committee of Inquiry could be appointed, some time might elapse before they were ready to deal with the matter.

The second point dealt with in discussion was whether an amendment should be moved from the Government Benches.

THE PRIME MINISTER said that the Chief Whip expressed the view that this course was not desirable. On the other hand, the view was expressed that it would be awkward for many of the Government supporters to vote against the Labour Party's Motion in view of the undertakings which they had given, notwithstanding the fact that the Prime Minister's speech would make it clear that the Government had not refused to provide the necessary ways and means for some improvement of Old Age Pensions. The possibility of a manuscript amendment to be handed in at about 6 or 7 o'clock in the evening was mooted and the Prime Minister agreed to discuss this point further with the Chief Whip.

The Cabinet approved the general lines of the Prime Minister's proposed speech, subject to the following points raised in discussion -

- (1) that the Prime Minister should indicate that it is the intention of the Government to undertake a review of the Old Age Pensions position, but should not use words which imply the setting up of an independent Committee of Inquiry or of a Committee of Ministers;
- (2) that the Prime Minister should discuss with the Chief Whip the question whether a manuscript amendment should be handed in after his speech.

ROAD ACCIDENTS.

Regulation of  
Cyclists.

17. The Cabinet had under consideration a Memorandum by the Minister of Transport (C.P.-158(39)) on the subject of Road Accidents and the Regulation of Cyclists. In his Memorandum the Minister stated that in 1936 his predecessor had drawn the attention of the Transport Advisory Council to the increase in the number of pedal cycles in use on the roads, and to the large number of accidents in which pedal cyclists were involved, and had invited them to consider and report upon any further practicable measures which, in the Council's opinion, might be adopted for the better protection of cyclists and other road users. The Council had reported in June, 1938, but in the meantime the House of Lords Select Committee on the Prevention of Road Accidents had been set up, and it had not been thought desirable to take any action on the Transport Advisory Council's Report until the Report of the Select Committee had also been received. The Minister's predecessor had answered a Parliamentary Question to this effect on 27th July, 1938, (Official Report, Col. 3112).

The Select Committee had reported at the end of March and had made a large number of recommendations affecting cyclists. The Minister was being strongly pressed to announce the Government's decision in regard to this Report, but as it contained over two hundred recommendations, he had announced that he would issue a commentary on the whole Report in the form of a White Paper. In this document he proposed to give reasons for the rejection of many of the Select Committee's

recommendations, and a statement of the measures to be taken to implement those which it was decided to accept. The Minister then outlined the more important recommendations of the Select Committee concerning cyclists, adding his comments thereon. In conclusion, the Minister expressed the wish subject to the views of his colleagues, to include in his statement on the Select Committee's Report an announcement that, after consideration of the Reports of the Transport Advisory Council and of the Select Committee, he proposed to make regulations, under his existing powers, regarding bells and the number and nature of the brakes on pedal cycles, and to introduce legislation as soon as possible dealing with the following matters:-

- (1) Carriage by pedal cyclists of a form of identification disc.
- (2) Introduction of a requirement that pedal cyclists must report accidents (on the lines of Section 22 of the Road Traffic Act, 1930).
- (3) Carriage of red rear lamps on pedal cycles.
- (4) Prohibition of the carrying of articles which interfered with the control of the cycle or the view of the road.
- (5) Compulsory use of cycle tracks where they were satisfactory.
- (6) Creation of the offence of careless riding.

In explaining the main points in his Memorandum THE MINISTER OF TRANSPORT said that the most difficult issue concerned the proposal to make compulsory the carriage of red rear lamps on pedal cycles. He outlined the main arguments for and against this course.

The Minister said that since his Memorandum had been drafted he had consulted the Law Officers as to the proposal in paragraph 14 that the extinction

of a rear light should not be pleaded as an excuse or treated as contributory negligence if a cyclist were run down. The Law Officers had advised that this proposal was open to considerable objection, and thought that it would be much wiser to leave this aspect of the matter to be dealt with on the basis of ~~under which the absence of a rear light does the existing law, which laid on motorists the obligation not relieve a motorist of the necessity of using reasonable care and skill.~~

Continuing, the Minister said that he appreciated that this proposal might give rise to serious opposition among the large body of cyclists, who numbered 8 or 10 millions. As against this, it must be pointed out that not only the Alixness Committee but two other Inter-Departmental Committees, and the Transport Advisory Council, had been in favour of this proposal. He also thought that opinion among motorists would be strongly in favour of this measure. His reason for raising this matter at the present time was that he was anxious to settle before the Recess what conclusions should be reached in regard to the main recommendations in the Alixness Report.

In the course of discussion the view was expressed that it was not essential to deal with this very contentious matter at the present time, and that on the whole the wisest course would be to defer decisions on the questions raised until after the Recess.

This course was agreed to.

(The Chancellor of the Exchequer and the Lord President of the Council left the Meeting at this point.)

FOOD (DEFENCE)  
BILL.

(Previous  
Reference:  
Cabinet 37  
(39), Conclusion  
12.)

18. The Cabinet had before them a Memorandum by the Chancellor of the Duchy of Lancaster (H.A.-34 (39)) covering the draft Food (Defence) Bill, the object of which was to transfer the responsibility for the Food (Defence Plans) Department from the President of the Board of Trade to another Minister, and to provide that Minister with certain statutory powers over and above those at present available in the Essential Commodities Reserves Act, 1938: together with the following Conclusions thereon reached by the Committee of Home Affairs (H.A.C. 18th Conclusions (39), Minute 1):-

- "(1) To recommend the Cabinet to approve, for introduction in the House of Commons with a view to its passage into law immediately after the Summer Recess the Food (Defence) Bill in the form of the draft annexed to H.A.-34 (39), subject to any modifications arising out of the Committee's discussion, and to any drafting or other minor alterations that might be found necessary or desirable;
- (2) To take note that, as stated in Cabinet 37 (39) Conclusion 12 (3), the Cabinet would determine the date of introduction of the Bill."

THE MINISTER OF AGRICULTURE AND FISHERIES said that he assumed that the proposed legislation would not in any way diminish the powers or responsibilities of the Agricultural Ministers: in particular, that it was not proposed to alter the position in regard to the supply of feeding-stuffs from merchants to farmers, which was the responsibility of the Agricultural Ministers.

THE CHANCELLOR OF THE DUCHY OF LANCASTER agreed that this was the case.

Reference was also made to the position of stocks of petrol, and it was explained that it had been agreed

that this matter should be further considered by the Departments concerned, in order to ensure that the action taken under the proposed Bill and under the Ministry of Supply Act, in splitting up the commodities purchased under the Essential Commodities Reserves Act, did not enable the amount of petrol reserves to be calculated.

THE CHANCELLOR OF THE DUCHY OF LANCASTER mentioned that in certain respects he had taken action in advance of the powers to be conferred by the Act, and that the action so taken would be validated retrospectively when the Bill became law.

The Cabinet:-

- (1) approved the recommendation of the Home Affairs Committee at (1) above:
- (2) agreed that the Bill should be introduced before the Recess on the understanding that an attempt should be made to pass it into law before the end of the Session.

WAR DAMAGE TO  
LAND (SCOTLAND)  
BILL.

(Previous  
Reference:  
Cabinet 29  
(39), Con-  
clusion 8.)

19. The Cabinet had under consideration a Memorandum by the Secretary of State for Scotland (H.A.-35(39)). covering the draft War Damage to Land (Scotland) Bill, the object of which was to modify the rights and liabilities of persons interested in land in Scotland damaged by war: together with the following recommendation thereon by the Committee of Home Affairs (H.A.C. 18th Conclusions (39), Minute 2):-

"To authorise the Secretary of State for Scotland to take responsible representatives of the interests concerned into confidential consultation on the heads of the draft War Damage to Land (Scotland) Bill annexed to H.A.-35 (39)."

The Cabinet approved the above recommendation of the Committee of Home Affairs, on the understanding that the Bill should not be introduced in peace time, without further reference to the Cabinet.

Richmond Terrace, S.W.1.

26th July, 1939.

NOT CIRCULATED.MOST SECRET ADDENDUM TO ITEM 2 OF  
CABINET 39 (39). 26th JULY, 1939.

THE INTER-  
NATIONAL  
SITUATION.

Danzig.

(Previous  
Reference:  
Cabinet 38  
(39), Con-  
clusion 3.)

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that Dr Burckhardt, the League of Nations Commissioner in Danzig, had reported to him that he had recently had a discussion with Herr Forster, the Gauleiter of Danzig. The latter had recently returned from seeing Herr Hitler at Berchtesgaden, and reported that the German attitude in regard to Danzig was as follows: First, that Germany had not modified her claims in regard to Danzig or the Corridor, as formulated in Herr Hitler's Reichstag speech. This was of interest, since previously it had been implied that the terms then offered would no longer be acceptable. Secondly, that nothing would be done on the German side to provoke a conflict. Thirdly, that the question could wait, if necessary, until next year, or longer. Fourthly, that the Senate would seek the help of the High Commissioner to smooth over difficulties between them and the Polish representatives, thus putting an end to a war of Notes. Further, it was indicated that if a détente could be brought about, all military measures now being taken in Danzig would be stopped.

It was of the utmost importance to maintain secrecy as to these conversations. We had therefore informed the Polish Government that we had information (the source of which we had not communicated to them) that the Germans were working for a détente, and that it was of the utmost importance that they should direct their endeavours to the same end. We had also informed them that we had learned with regret of the recent frontier incidents, and hoped that the Polish

Government would handle them with the usual restraint and circumspection, and that they would not be deflected by these incidents from the general policy of bringing about a détente.

The Foreign Secretary said that generally the position in regard to Danzig looked a bit steadier. It was, of course, difficult to know exactly what value to attach to these latest statements in regard to the German attitude. Did it mean that they were impressed by the firm attitude of the Peace Front? Was it a blind to cover up their real motives? Or did it mean that Germany was now directing her action elsewhere? In any case, however, it was clear that there could be no possible harm in working for a détente at Danzig.

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